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August 30, 1995

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VIA TELECOPY AND MAIL

Wayne R. Walters, Esq.
Senior Assistant Regional Counsel
U.S. Environmental Protection Agency
Region III
841 Chestnut Building
Philadelphia PA 19107

Re: United States of America v. Stanley Kessler
Company, et al., C.A. No. 80-3483

Dear Wayne:

I am writing to advise you of the position of Stanley Kessler and the Stanley Kessler Company (collectively "Kessler") regarding settlement in this matter. Because you and I have been unsuccessful in our attempts to reach each other by telephone since the middle of August, I thought that it would be helpful to contact you by letter.

As you know, on June 28, 1995, Kessler offered to perform the remedy selected by the U.S. Environmental Protection Agency ("EPA") for the site as detailed in the Feasibility Study approved by EPA. Kessler subsequently submitted a proposed consent decree for this settlement that attempted to integrate the prior model decree used in EPA Region III and the new model consent decree recently issued by EPA and the United States Department of Justice.

Steve Jawetz of my office, Frank Aceto and Steve Baggett of Groundwater Technologies, Inc., and I discussed settlement issues with you, the Remedial Project Manager Ruth Scharr, and Marianna Long of the Department of Justice during a lengthy meeting in Philadelphia on July 26, 1995. In these discussions, EPA indicated that it was unwilling or unable to evaluate and agree to a specific scope of work or work plan (to reduce the uncertainties presented by the Record of Decision) as part of a settlement. EPA also appeared unwilling to streamline the number of written submissions required by its model consent decree, notwithstanding

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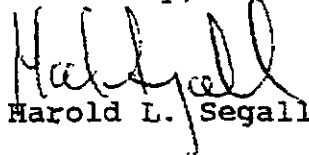
the small size of the site and the relatively simple nature of the contemplated remedy.

At this time, Kessler is willing and able to undertake work at the Kessler Site, including Alternative 4 as set forth in the EPA-approved Feasibility Study. However, Kessler has decided that it would like to devote its resources to cleanup activities rather than to the substantial transaction costs associated with the preparation and negotiation of lengthy settlement documents. Kessler also perceives that it would receive no net benefit from executing the settlement agreement in the form apparently required by EPA Region III.

Because of the foregoing concerns, which we initially discussed by telephone shortly after the meeting on July 26, Kessler currently believes that the resources of both EPA and Kessler would be most appropriately focussed on cleanup activities. Rather than spend additional time and resources on achieving a formal settlement, Kessler is prepared to resume remediation at the site.

I would like to emphasize that these views regarding the settlement process do not mean that Kessler is unwilling to cooperate with EPA. Kessler wants to cooperate and is willing to resume cleanup activities, but believes that it would be more productive to do so outside the formal settlement process. We look forward to working with Ms. Scharr, Ms. Long, and you in this regard. Please give me a call so that we may discuss these matters further. If you would like to organize a conference call, I would be happy to coordinate with you regarding dates and times.

Sincerely,


Harold L. Segall

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